

SEED CO LIMITED

ABRIDGED GROUP AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2021



The African Seed Company
THE HOME OF BUMPER HARVESTS

HIGHLIGHTS

	INFLATION ADJUSTED	HISTORICAL COST
MAIZE SEED SALE VOLUMES	↑ 60.8%	↑ 60.8%
REVENUE	↑ 59.6%	↑ 789.0%
EBITDA	↑ 58.3%	↑ 773.0%
NET DEBT	↑ 1552.1%	↑ 5526.2%

* All inflation adjusted comparatives have been restated in terms of the measuring unit current at the end of the latest reporting period.

^ Foreign currency translation reserve through OCI and investments in associates have been restated at the applicable exchange rates.

ABRIDGED GROUP INCOME STATEMENT

	Inflation adjusted Audited	Restated	Historical cost Unaudited	
	Mar 2021	Mar 2020	Mar 2021	Mar 2020
	ZWL'm	ZWL'm	ZWL'm	ZWL'm
Revenue	5 848.7	3 665.2	4 773.6	536.9
Cost of sales	(2 102.2)	(1 287.3)	(1 650.2)	(197.3)
Gross profit	3 746.5	2 377.9	3 123.4	339.7
Other income	907.1	745.4	812.4	156.5
Operating expenses	(1 491.7)	(935.1)	(1 060.4)	(157.9)
Operating profit	3 215.9	2 188.3	2 875.4	338.3
Net finance costs	(449.2)	(104.8)	(434.7)	(28.2)
Monetary loss	(1 910.1)	(2 370.2)	-	-
Share of profit from associates & JV	235.4	322.0	448.6	71.5
Profit before tax	1 092.1	35.3	2 889.3	381.5
Income tax expense	(262.6)	(445.2)	(574.4)	(68.4)
Profit/(loss) for the year	829.4	(410.0)	2 314.9	313.1
BEPS - cents	335.53	(167.50)	931.69	127.92
DEPS - cents	328.13	(166.11)	909.63	126.86
HEPS - cents	111.06	(176.83)	887.37	125.18

ABRIDGED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

	Inflation adjusted Audited	Restated	Historical cost Unaudited	
	Mar 2021	Mar 2020	Mar 2021	Mar 2020
	ZWL'm	ZWL'm	ZWL'm	ZWL'm
Profit/(loss) for the year	829.4	(410.0)	2 314.9	313.1
Exchange differences^	1 073.2	1 451.2	1 073.2	426.1
Revaluation net of tax	(461.5)	1 783.2	1 319.6	698.7
Total comprehensive income for the year	1 441.1	2 824.4	4 707.7	1 438.0

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Inflation adjusted Audited	Restated	Historical cost Unaudited	
	Mar 2021	Mar 2020	Mar 2021	Mar 2020
	ZWL'm	ZWL'm	ZWL'm	ZWL'm
Opening shareholders' equity	7 995.4	5 177.6	1 635.0	195.9
Comprehensive income	1 441.1	2 824.4	4 707.7	1 438.0
Exercise of share options	-	3.5	-	1.0
Share based payments	2.4	5.2	2.4	1.5
Dividend paid	-	(15.4)	-	(1.4)
Closing shareholders' equity	9 438.8	7 995.4	6 345.1	1 635.0

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	Inflation adjusted Audited	Restated	Historical cost Unaudited	
	Mar 2021	Mar 2020	Mar 2021	Mar 2020
	ZWL'm	ZWL'm	ZWL'm	ZWL'm
Assets	13 344.8	9 865.3	10 056.9	2 024.2
Property, plant & equipment (PPE)	2 745.0	3 510.9	2 745.0	1 030.9
Investments in associates & JV^	4 693.3	3 287.3	2 244.5	578.1
Other financial assets	423.7	17.4	423.7	5.1
Inventories	1 606.1	2 152.2	778.6	151.3
Receivables	3 342.0	782.2	3 330.5	224.9
Cash and cash equivalents	534.7	115.2	534.7	33.8
Equity and liabilities	13 344.8	9 865.3	10 056.9	2 024.2
Shareholders' equity	9 438.8	7 995.4	6 345.1	1 635.0
Loans and borrowings	2 271.7	220.3	2 271.7	64.7
Deferred tax liability	713.3	1 235.4	519.2	202.8
Payables and provisions	921.0	414.2	921.0	121.6

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Inflation adjusted Audited	Restated	Historical cost Unaudited	
	Mar 2021	Mar 2020	Mar 2021	Mar 2020
	ZWL'm	ZWL'm	ZWL'm	ZWL'm
Profit before tax	1 092.0	35.3	2 889.3	381.5
Reconciling items to net cash flows	623.1	(122.9)	108.0	(38.2)
Working capital changes	(2 235.4)	(1 540.8)	(3 838.1)	(281.3)
Tax paid	(294.8)	(68.4)	(118.6)	(8.2)
Operating cash flows	(815.8)	(1 696.9)	(959.4)	53.8
PPE disposal proceeds	10.5	6.7	9.7	1.7
Purchase of PPE	(395.5)	(670.3)	(326.8)	(87.2)
Non-current financial assets changes	15.7	446.4	3.4	12.4
Dividends received	2.4	71.7	1.6	4.3
Interest received	0.7	14.1	0.7	1.5
Investing cash flows	(366.1)	(131.3)	(311.4)	(67.2)
Proceeds from exercise of share options	-	3.5	-	1.0
Net proceeds from borrowings	2 207.0	220.3	2 207.0	64.7
Dividend paid	-	(15.4)	-	(1.4)
Interest paid	(450.0)	(118.9)	(435.4)	(29.7)
Financing cash flows	1 757.0	89.5	1 771.6	34.7
Net cash flows during the year	575.1	(1 738.7)	500.8	21.2
Monetary changes effects	(155.6)	1 520.0	-	-
Opening cash and cash equivalents	115.2	333.9	33.8	12.6
Closing cash and cash equivalents	534.7	115.2	534.7	33.8

SUPPLEMENTARY INFORMATION

1. Corporate information

Seed Co Limited is a company which is incorporated and domiciled in Zimbabwe and listed on the Zimbabwe Stock Exchange.

2. Basis of preparation

The basis of preparation of these financial statements is International Financial Reporting Standards (IFRS) with the exception of IAS 8 and IAS 21 as stated in the audit report.

Inflation adjusted financial statements have been drawn up using the conversion factors derived from the Consumer Price Index (CPI) prepared by the Zimbabwe Central Statistical Office. The conversion factors used for the IAS 29 restatements are as follows:

	Index	Conversion factor
Closing as at 31 March 2021	2 759.83	1.00
Closing as at 31 March 2020	810.40	3.41
Average for the year ended 31 March 2021	2 083.51	1.49
Average for the year ended 31 March 2020	382.92	10.63

3. Accounting policies

The principal accounting policies of the Group have been consistently followed in all material respects.

4. Capital expenditure (CAPEX)

5. Depreciation

6. Commitments for CAPEX

7. Directorate

Fungai Ruwende stepped down from the Board in March 2021.

8. Dividend

To retain capital in the business, the Board did not declare a dividend.

9. External auditors' opinion

The Group's inflation adjusted annual financial statements from which these abridged results have been extracted have been audited by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse opinion as a result of the impact of the following prior year matters: non-compliance with International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" and International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors" accounting for blocked funds, equity accounting of associates and joint ventures with underlying matters; equity accounting of a foreign associate using inappropriate exchange rates; associate property, plant and equipment accounting policy unadjusted to conform with the group accounting policy; non-compliance with IAS 8 for accounting for foreign currency translation reserve arising from foreign associate and valuation of property, plant and equipment, due to lack of market evidence to support property valuation inputs; and the consequential impact on the inflation adjusted amounts determined in terms of IAS 29.

The auditor's review conclusion on the Group's inflation adjusted annual financial statements is available for inspection at the Company's registered office. The engagement partner for this review is Mr David Marange (PAAB Practicing Certificate Number 0436).

10. Approval of financial statements

The underlying financial statements from which this abridged set was extracted were approved by the Board and duly signed by the Chairman and CEO.

D. E. B Long
Chairman
19 July 2021

M. Nzwere
CEO
19 July 2021

COMMENTARY

Overview

The financial year under review was characterised by the advent and spread of COVID-19 both locally and regionally. To contain the spread of the pandemic, the various Governments instituted a cocktail of restrictive measures including lockdowns and curfews. Thankfully, the Group was not adversely affected by these measures as it continued operating due to its status as an essential business.

The introduction of the Foreign Currency Auction System by the Reserve Bank of Zimbabwe (RBZ) and the accompanying tight monetary policy stance contributed to exchange rate stability and inflation deceleration which allowed the Company to maintain its selling prices throughout the summer planting season.

The abundant rains received during the main farming season were a big boost for seed demand.

Sales volume performance

Maize and soybean seed sales volumes increased by 61% and 17% from prior year respectively driven by the heightened seed demand thanks to the better rainfall received and government programmes aimed towards ensuring food security supplemented by export opportunities across the region.

Wheat seed sales volumes were 56% higher than last year due to improved irrigation capacity and a first-time export to Nigeria.

Financial performance

The revenue growth recorded was on the back of the aforementioned sales volume increase anchored by real price stability.

Operating expenses rose steeply due to the prevailing hyperinflationary conditions.

Interest costs surged on account of the Group's increased indebtedness and the high interest rates on the Group's borrowings which averaged 45% during the reporting period.

The Group's foreign and local cotton associates both made a positive contribution to the Group's performance driven by solid volume growth. On the other hand, the local vegetable joint venture broke even weighed down by exchange losses on its foreign denominated liabilities.

The Group's profitability improved from prior year benefiting from the strong sales volume growth.

Financial position

The value of PPE grew in historical cost terms owing to CAPEX on the artificial seed dryer project which is almost complete and due for commissioning soon.

Inventories on hand at the reporting date mainly comprised of wheat seed which has since been sold during the ongoing winter growing season.

The increase in receivables at the year end date was attributable to the growing sales with the outstanding government debt then having been substantially paid off post the balance sheet date.

To finance its seed production and the artificial seed dryer CAPEX, the Group raised its borrowing levels during the period.

Outlook

Food security is expected to remain high on the agenda as long as the pandemic endures. However, the local and regional bumper harvest expected from the ongoing harvest season may weaken maize grain prices though the potential impact on next season's seed demand is still unknown.

By Order of the Board

T. N. Chimanya
Group Secretary
19 July 2021